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1992 ANNUAL REPORT

Government
Publication





Transmittal Letter

May 15th, 1993

The Honourable Marilyn Churley
Minister of Consumer and Commercial Relations
Government of Ontario

Madam Minister:


On behalf of the Board of Directors of the Ontario New Home Warranty Program, I have the honour to submit to you the corporation's annual report, together with its financial statements for the year 1992.

I would also like to thank the members of your Ministry for their assistance to the Warranty Program during the past year.

Sincerely,

A handwritten signature in dark ink, appearing to read "R.T. Ryan". The signature is fluid and cursive, with the first name "R.T." and last name "Ryan" clearly distinguishable.

R.T. Ryan
Chairman



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ONTARIO NEW HOME WARRANTY PROGRAM HIGHLIGHTS

The Ontario New Home Warranty Program (ONHWP) was established in 1976 by home builders as an independent, non-profit corporation to provide warranty coverage to home buyers in Ontario. It is designated by the Government of Ontario to administer the Ontario New Home Warranties Plan Act which establishes a set of regulations to protect consumers who purchase homes in this province. Its goals are three-pronged: consumer protection, builder regulation, and consumer and builder education.

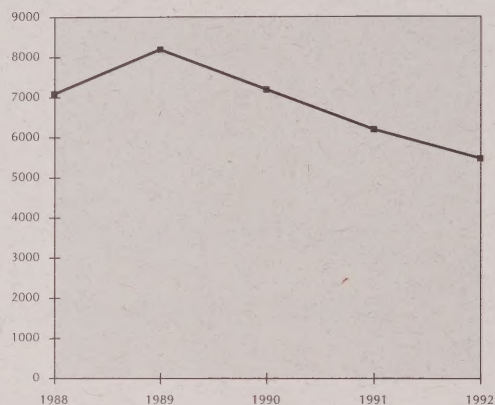
Since it was established ONHWP has provided protection to more than 700,000 new homes in Ontario. Currently more than 325,000 homes are protected under its coverage.

REGISTERED BUILDERS

Every builder and/or vendor of a new home built for sale in Ontario is required by the Ontario New Home Warranties Plan Act to register with ONHWP.

At the end of 1992, 5,462 builders were registered, down 12 per cent from 1991.

Year	Total
1992	5,462
1991	6,176
1990	7,193
1989	8,173
1988	7,068

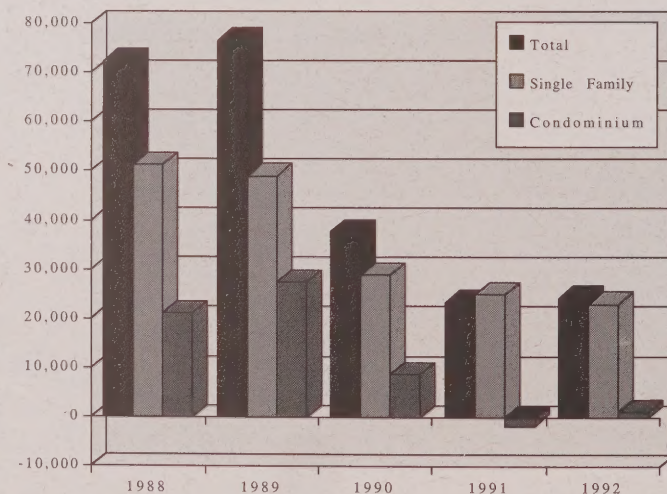


ENROLMENTS

Enrolments increased marginally to 24,200 net units. During 1992, 3,050 units (600 of which were freehold and 2,450 condominiums) were cancelled.

While the number of single-family homes enrolled decreased slightly, the number of condominium units increased marginally.

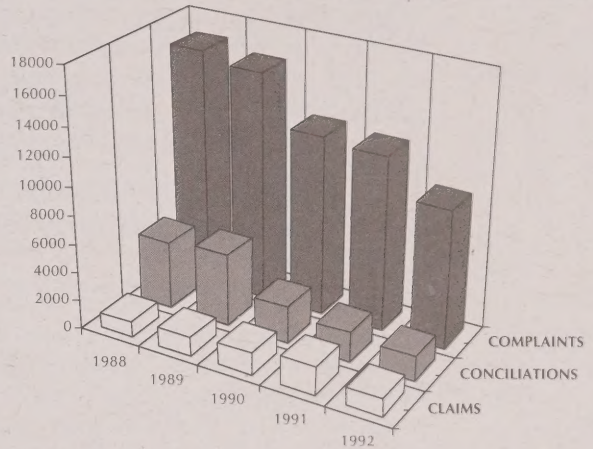
Year	Total	Single-Family	Condominium
1992	24,200	23,000	1,200
1991	23,300	25,000	(1,700)
1990	37,700	29,000	8,700
1989	76,500	49,000	27,500
1988	72,300	51,200	21,100



NUMBER OF CLAIMS

While the number of claims decreased from the 1991 record high, the ratio of complaints to enrolments was unchanged.

Year	# of Claims	# of Conciliations	# of Complaints
1992	1,270	1,740	9,675
1991	2,010	2,070	12,240
1990	1,550	2,600	12,600
1989	1,300	5,050	15,950
1988	1,090	4,775	16,600

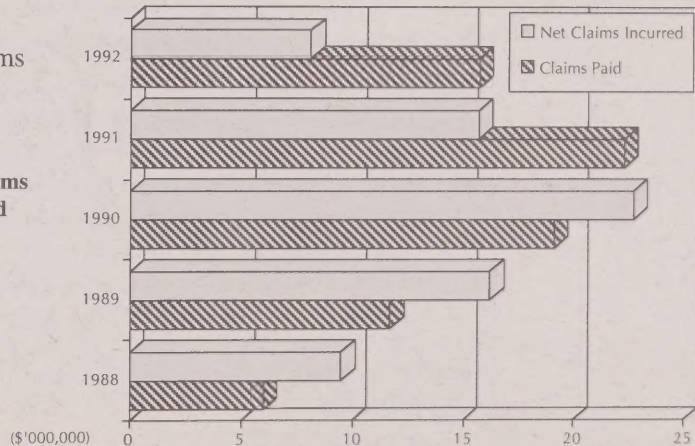


CLAIMS PAID AND INCURRED (\$'000,000)

Total claims paid declined 30 per cent to \$15.7 million from a 1991 all-time record high of \$22.3 million.

Claims incurred continued to decline as those claims from the building boom were resolved.

Year	Claims Paid	Claims Recovered	Change in O/S Claims	Net Claims Incurred
1992	15.7	4.7	(2.9)	8.1
1991	22.3	7.1	0.5	15.7
1990	19.1	2.8	6.4	22.7
1989	11.7	2.0	6.5	16.2
1988	6.0	0.8	4.3	9.5



Since 1976, ONHWP has paid out over \$100 million in both freehold and condominium claims. Over 70 per cent occurred over the past five years.

REPORT OF THE PRESIDENT/REGISTRAR

The Ontario New Home Warranty Program (ONHWP) was well-positioned to meet the challenges of the tough economic climate of 1992. Astute balance sheet and cash flow management to maintain adequate levels of reserves to meet future needs and to continue our track record of superior long-term performance was the primary focus of both the Board of Directors and senior management. Declining reserves were bolstered on January 1, 1992, when the enrolment fee was returned to its pre-building boom level.

Like many corporations in these times of fiscal restraint, the Ontario New Home Warranty Program shares the challenge of achieving greater results with fewer resources, while maintaining acceptable levels of service to our major customers, new home owners and builders.

The major organizational review undertaken in late 1991 laid the foundation for a corporate re-structuring in early 1992. We recognized the need for customer service and grappled with its economics in making the decision to downsize staff by 20 per cent and to streamline our Regional Office network by redistributing the work of the Toronto Regional Office to the Whitby and Brampton Regional Offices. Working with outplacement consultants, the Warranty Program undertook its re-structuring fairly and professionally.

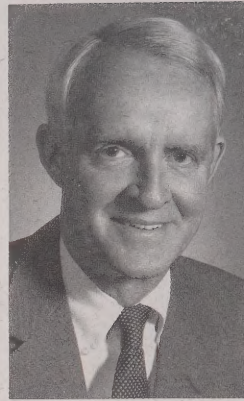
Operating costs of \$17,685,000, including re-structuring expenses of \$1.8 million, were \$213,000 less than 1991 operating expenses.

Our re-structuring gave us the opportunity to change both the face of the corporation and the way in which we do business. The strategic planning exercise we undertook clearly pointed to the need to be more vigilant in risk management and the need to strengthen our business relationships with our partners.

The basis for our business decision to add a prevention strategy to reduce built-in construction defects lay in our claims experience. Since ONHWP was established in 1976, we have paid over \$100 million in claims to new home and condominium owners in Ontario, approximately \$75 million of which occurred over the past five years. This increase can be attributed to the building boom of the mid 1980's and significant increases in warranty coverages. We concluded that our success in maintaining the long-term health of the guarantee fund depends on the adoption of a proactive risk management strategy which will enable us to change the probability of claims and thus, over time, influence our results positively.

Effective risk assessment is a key element in our risk management strategy. While there is a stable base of builders who have been registered with ONHWP for years, on average a builder is registered for only three years and builds only five units. A significant proportion of claims can be attributed to these builders. Expanded registration requirements for new and re-entering builders were developed in 1992 to enable us to assess their business and construction capabilities so that we can provide these builders with appropriate technical training and support.

A targeted inspection program was also developed in 1992 to help these builders improve their long-term performance by providing technical information on good construction practice at benchmark stages in the construction process.



Partnership is a crucial success factor in the housing industry where so many players are involved at the local level. Recognizing that it cannot accomplish the goal of achieving defect-free housing on its own, ONHWP has taken a leadership role in developing a number of creative partnerships within the residential housing industry.

Nurturing these relationships takes many forms. For example, we have established Chief Building Official/ONHWP Liaison Committees to help forge stronger links with municipal building departments. We have also developed the permit declaration form to help municipalities demonstrate due diligence in enforcing the Building Code Act's requirement to ensure registration of the new home builder.

Manufacturers of building materials are another important stakeholder. We are accumulating a claims database to track defects in building materials. In many cases, ONHWP is aware of problems before the manufacturer. We are establishing communication links to share this information with them.

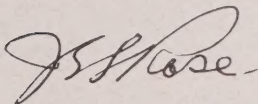
ONHWP has worked closely with the Ministry of Housing in developing the amendments to the 1993 Ontario Building Code (OBC). We also undertook an initiative to ensure that the residential building industry can deliver on the new ventilation provisions of the revised OBC. As well, ONHWP took a lead role in developing a partnership with the Ministry of Housing, Ontario Building Officials' Association, Ontario Hydro and the Ontario Home Builders' Association to develop Speaking In Code - Part 2, a series of one-day workshops to train members of the residential building industry on the amendments to the Ontario Building Code.

ONHWP also appeared before the Standing Committee on Social Development in support of Bill 112, An Act to Revise the Building Code Act.

We believe that two important elements of partnership are responsibility and accountability. If we are to achieve our goal of preventing construction deficiencies in new housing then we all must be responsible and accountable for our part in the process. We all must share the risk. When appropriate, we will be pursuing loss recovery options more aggressively. Our enforcement and collections activities in 1992 yielded \$5.5 million.

1993 promises to be another difficult year. The top item on ONHWP's business agenda will be to address the complex ramifications of the serious recession in the real estate sector which is eroding both our revenues and reserves.

To our distinguished Board of Directors I would like to give my sincere thanks for your leadership in helping the Ontario New Home Warranty Program achieve its goals. And to our staff across Ontario, I would like to thank you for your support, professionalism and dedication.

A handwritten signature in dark ink, appearing to read "J.B.S. Rose". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J.B.S. Rose
President/Registrar

THE WARRANTY

The Ontario New Home Warranty Program provides a total maximum coverage of \$100,000 on each home or condominium unit built for sale. Common elements in condominiums are also covered from the date the project is registered as a condominium corporation, up to \$50,000 times the number of units, to a maximum of \$2.5 million. New home buyers receive the following coverage in the event that new home builders or vendors do not fulfill their obligations:

1. DEPOSIT PROTECTION

Deposits are protected up to a maximum of \$20,000, if the builder cannot or will not complete the sale.

2. ONE-YEAR WARRANTY PROTECTION

The builder warrants that the home is free from defects in workmanship and materials, is fit to live in and meets the Ontario Building Code requirements for one year from the date of possession.

3. TWO-YEAR WARRANTY PROTECTION

For homes enrolled after December 31, 1990, the builder warrants for two years against:

- water seepage through the building envelope, including the basement or foundation walls. (In condominiums, this protection includes all below-ground areas such as parking garages.
- defects in materials and workmanship in the electrical, plumbing and heating delivery and distribution systems.
- defects in materials and workmanship in the exterior cladding, caulking, windows and doors, leading to detachment or serious deterioration.
- violations of the Ontario Building Code's health and safety provisions.

4. MAJOR STRUCTURAL DEFECTS

Homes enrolled before December 31, 1990 are covered for five years against Major Structural Defects. Homes enrolled after December 31, 1990 are protected for seven years.

A Major Structural Defect is defined in the Ontario New Home Warranties Plan Act as:

- any defect in materials or workmanship that results in the failure of a load-bearing part of the home's structure, or
- any defect in materials or workmanship that materially and adversely affects the use of the building as a home.

5. PROTECTION AGAINST DELAYED CLOSINGS WITHOUT ADVANCE NOTICE FOR FREEHOLD BUYERS

A builder must not delay the closing date of the sale of the home without notifying the home buyer.

(i) Major Delay

A builder anticipating a delay in closing of more than 15 days must notify the home buyer at least 65 days before the original closing date and set a new closing date.

(ii) Minor Delay

A builder anticipating a delay in closing of no more than 15 days must notify a home buyer who has closed the sale at least 35 days before the original closing date and set a new closing date.

The builder is allowed up to five days grace without penalty. Beyond that, any builder who fails to give proper notice will be required to compensate the purchaser up to \$100 a day in living expenses to a maximum of \$5,000 total out-of-pocket expenses resulting from the delay.

Exceptions: There is no compensation for delays caused by events beyond the builder's control, e.g., strikes, fires, civil insurrection, floods or "Acts of God".

6. PROTECTION AGAINST DELAYED OCCUPANCY FOR CONDOMINIUM BUYERS

(For Agreements of Purchase and Sale signed after April 1, 1991)

(i) Confirmed & Tentative Occupancy Dates

Every Agreement of Purchase & Sale must give either a confirmed occupancy date, or a tentative occupancy date that is clearly identified as tentative. If the Agreement gives a tentative occupancy date, the purchaser has the right to receive notice of when he or she will be advised of the confirmed occupancy date. The notice is to be based on a date or an event which will trigger notice, e.g., the completion of the foundation or reaching some other specific stage in construction.

(ii) Notice

The purchaser must be given this notice, as outlined in the Agreement, no later than 120 days before the confirmed date, and no later than 30 days following completion of the roof assembly.

If the purchaser is not given notice of the confirmed date 90 days prior to the tentative date in the original agreement, then the tentative date automatically becomes the confirmed date.

(iii) Earlier Occupancy

The builder is allowed to offer occupancy earlier than the confirmed date, but is not allowed to demand it. The purchaser must consent in writing to an earlier date.

(iv) Delays

As in the case for delayed closings for freehold houses, the vendor may extend the confirmed occupancy date once by up to 120 days, if the purchaser is given written notice at least 65 days before the confirmed date. The vendor can also have a 15-day extension if the purchaser is given 35 days notice.

In all cases vendors are allowed a five-day grace period when they give notice to their purchasers.

(v) Exceptions

A vendor is not responsible for delays caused by strikes, fires, civil insurrections, floods or Acts of God.

7. PROTECTION AGAINST SUBSTITUTIONS MADE WITHOUT THE PURCHASER'S AGREEMENT

The home owner is protected against substitutions of key elements in a new home or condominium unit, and in condominium common elements, e.g., shared areas such as the parking garage and hallways, as set out in the Agreement of Purchase and Sale.

OFFICERS AND DIRECTORS

(As of April 1993)

BOARD OF DIRECTORS:

Reginald T. Ryan, Toronto, Chairman
Chairman, The Mortgage Insurance
Company of Canada
Appointed: 1988

William Clarkson, Toronto
Retired Banker
Appointed: 1988

Tom Cochren, Hamilton
President,
Tommar Construction Company Limited
Appointed: 1987

Mayor Helen Cooper, City of Kingston
Appointed: 1993

David Freure, Kitchener
President, Freure Homes
Appointed: 1990

Hugh Heron, Toronto
President, Heron Homes
Appointed: 1988

Joan Huzar, Goderich
Past President,
Consumers' Association of Canada (Ontario)
Appointed: 1987

Daphne Lewis, Lasalle
Vice President,
Consumers' Association of Canada (Ontario)
Appointed: 1991

Ralph H. Lewis, Q.C., Toronto
Legal Policy Advisor
Business Practices Division
Ministry of Consumer and Commercial
Relations
Appointed: 1976

Al Libfeld, Pickering
President, Tribute Corporation
Appointed: 1991

John Mansfield, London
President, Harland Properties Inc.
Appointed: 1990

Phil McColeman, Brantford
President,
Ontario Home Builders' Association
President,
McColeman Bros. Contracting Limited
Appointed: 1993

George Milla, Guelph *
President,
George Milla Construction Limited
Appointed: 1987

Maureen Prinsloo, Toronto *
Metropolitan Councillor,
Scarborough-Wexford
Appointed: 1985

Ian F. Rawlings, Ottawa
Director, Cumming, Cockburn Ltd.
Appointed: 1992

J.B.S. Rose, Toronto
President/Registrar,
Ontario New Home Warranty Program
Appointed: 1993

Tom Schwartz, Toronto
President, Intraurban Projects
Appointed: 1991

* *Retired, April, 1993*

ASSOCIATE MEMBERS OF THE BOARD OF DIRECTORS:

Ernest Assaly, Ottawa
Assaly Construction Limited
Appointed: 1989

Gordon Dengis, Waterloo
Investment Consultant
Appointed: 1988

Stephen Kaiser, St. Catharines
Incoming President,
Ontario Home Builders' Association
Vice-President, Homes, Taro Homes
Appointed: 1993

George Milla, Guelph
President,
George Milla Construction Limited
Appointed: 1993

Maureen Prinsloo, Toronto
Metropolitan Councillor,
Scarborough-Wexford
Appointed: 1993

Warren Wolfenden, London
Vice President, Housing and Land,
Sifton Properties Limited
Appointed: 1992

MEMBERS OF THE COMMITTEES OF THE BOARD:

EXECUTIVE COMMITTEE

Reginald T. Ryan, Chairman
Tom Cochren
Hugh Heron
Joan Huzar
Ralph H. Lewis, Q.C.
John Mansfield

AUDIT COMMITTEE

Tom Cochren, Chairman
William Clarkson
Gord Dengis
Hugh Heron
John Mansfield
Tom Schwartz

COMMUNICATIONS COMMITTEE

Hugh Heron, Chairman
Mayor Helen Cooper
Joan Huzar
Stephen Kaiser
Daphne Lewis
Ralph H. Lewis, Q.C.
Al Libfeld
Phil McColeman

INVESTMENT COMMITTEE

William Clarkson, Chairman
Mayor Helen Cooper
Gord Dengis
Al Libfeld
Tom Schwartz

TECHNICAL COMMITTEE

David Freure, Chairman
Daphne Lewis
John Mansfield
Phil McColeman
George Milla
Ian Rawlings
Warren Wolfenden

CORPORATE OFFICERS:

Reginald T. Ryan, Chairman
Hugh Heron, Vice-Chairman
Joan Huzar, Secretary
Tom Cochren, Treasurer
J.B.S. Rose, President/Registrar

REGISTRAR'S ADVISORY COMMITTEE:

Jack McCreadie, North York, Chairman
President, Jack McCreadie & Company Limited
Realty Financial Consulting
Appointed: 1989

Ward Campbell, Hamilton
President, Starward Homes Ltd.
Appointed: 1991

William Clarkson, Toronto
Retired Banker
Appointed: 1988

Tony Martens, Toronto
Regional Vice President, Royal Le Page Mortgage Company
Appointed: 1992

George Milla, Guelph
President, George Milla Construction Limited
Appointed: 1993

Warren Wolfenden, London
Vice President, Housing & Land Sifton Properties Ltd.
Appointed: 1991

STAFF DIRECTORS:

Aubrey LeBlanc, Chief Operating Officer

Ian Johnson, Business Systems

Bob Maling, Client & Technical Services

Stephen Martin, Legal Services

Willie Moskowitz, Builder Services

Pat Varcoe, Finance

Price Waterhouse

March 10, 1993

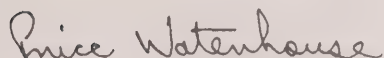
Auditors' Report

To the Board of Directors of
Ontario New Home Warranty Program

We have audited the balance sheet of Ontario New Home Warranty Program as at December 31, 1992 and the statement of operating results and appropriations for the year then ended. These financial statements are the responsibility of the program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the program as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in cursive script that reads "Price Waterhouse".

Chartered Accountants
Toronto, Ontario

Ontario New Home Warranty Program

Balance Sheet

(in thousands of dollars)

	December 31	
	1992	1991
Assets		
Current assets		
Cash	\$ 581	\$ 2,624
Accrued interest	1,462	1,706
Accounts receivable, prepaid expenses and other assets	402	942
	<u>2,445</u>	<u>5,272</u>
Investments (Notes 2 and 4)	59,745	69,408
Fixed assets, at cost		
Data processing equipment	3,764	3,585
Furniture and office equipment	2,503	2,490
Leasehold improvements	728	703
	<u>6,995</u>	<u>6,778</u>
Less: Accumulated depreciation	<u>5,909</u>	<u>5,460</u>
	<u>1,086</u>	<u>1,318</u>
	<u>\$ 63,276</u>	<u>\$ 75,998</u>
Liabilities		
Current liabilities		
Accounts payable and accrued charges	\$ 3,256	\$ 3,539
Funds held as security (Note 6)	3,494	5,314
	<u>6,750</u>	<u>8,853</u>
Liabilities outstanding on claims from homeowners		
Claims in process (Note 8)	18,988	21,873
Appropriations (Note 3)		
Future claims and contingencies (Note 4)		
General Fund	(15,618)	(8,030)
Guarantee fund	53,156	53,302
	<u>37,538</u>	<u>45,272</u>
	<u>\$ 63,276</u>	<u>\$ 75,998</u>

Approved by the Board



R.T. Ryan

Director



Tom Cochren

Director

Ontario New Home Warranty Program

Statement of Operating Results and Appropriations (in thousands of dollars)

	Year ended December 31	
	1992	1991
Revenue		
Home enrolment fees, net of refunds	\$ 9,327	\$ 3,229
Investment income, net	6,805	8,329
Builders' renewal fees	1,367	986
Builders' registration fees	511	420
Excess conciliation fees	25	101
	18,035	13,065
Operating expenses		
Operating costs (Schedule)	17,685	17,898
Excess (deficiency) of revenue over operating expenses		
before deduction of claims incurred	350	(4,833)
Appropriations, beginning of year, as previously stated	45,272	67,108
Prior period adjustment (Note 7)	—	(1,300)
Appropriations, beginning of year, as restated	45,272	65,808
	45,622	60,975
Deduct: Claims incurred (Note 8)	8,084	15,703
	\$ 37,538	\$ 45,272
Appropriations, end of year		
General fund (Note 5)	\$ (15,618)	\$ (8,030)
Guarantee fund (Note 4)	53,156	53,302
	\$ 37,538	\$ 45,272

Schedule—Operating Costs (in thousands of dollars)

	Year ended December 31	
	1992	1991
Salaries and employee benefits	\$ 9,158	\$ 9,735
Rent	1,725	1,687
Legal	956	711
Computer and office equipment rental	865	928
Office supplies and expenses	833	894
Travel	829	942
Consumer and builder communication	482	575
Depreciation and amortization	449	784
Research and education	355	1,068
Sundry	293	350
Directors' and committee fees	194	191
Consultants' fees	111	175
Printing	84	174
Reinsurance costs	62	68
Engineering and appraisal fees	60	391
Reorganization costs	1,808	—
Operating costs before recovery	18,264	18,673
Administrative cost recovery	(579)	(775)
	\$ 17,685	\$ 17,898

Ontario New Home Warranty Program

Notes to Financial Statements December 31, 1992

1. Summary of significant accounting policies

Revenue

Builder registration fees are taken into revenue when received and renewal fees are taken into revenue in the year in which they are due.

Home enrolment fees are taken into revenue as received and refunds expensed when paid.

Depreciation and amortization

Data processing equipment is written off in the year of acquisition.

Furniture and office equipment is depreciated at the rate of 20% per annum on a declining-balance basis.

Leasehold improvements are being written off on a straight-line basis over the term of the lease.

Claims

Claims incurred include claims paid and a provision for claims reported and in process, accounted for on an accrual basis.

Claims recovered, which are generally recognized on a cash basis, are offset against claims incurred. Administrative charges recovered in respect of claims are offset against operating costs as cost recoveries.

Investments

Certificates of deposit with financial institutions, treasury bills and bankers' acceptances are stated at cost.

Bonds and mortgage-backed securities are stated at cost plus the unamortized discount or premium. Discount or premium on purchase is amortized over the term of the investment.

Investments whose market value has declined below cost are written down to their estimated net realizable values when such declines are considered to be other than temporary.

Pension expense

Pension expense includes the actuarial costs of pension benefits for employee services for the period and the amortization of costs of past service benefits and experience gains and losses. Amortization is carried out on a straight-line basis over the expected average remaining service life of pension plan members.

2. Investments

Investments consist of:

	1992	1991
	('000s)	
Bonds		
Government of		
Canada	\$ 5,405	\$ 3,863
(market value-		
\$5,581,250)		
Provincial	17,956	14,757
(market value-		
\$18,375,312)		
Financial institutions		
(market value-		
\$17,508,544)	17,211	31,968
Mortgage-backed		
securities	14,786	13,035
(market value-		
\$15,153,198)		
Commercial		
(market value-		
\$4,456,385)	4,387	5,785
	\$ 59,745	\$ 69,408

3. Appropriations

These appropriations, which represent the excess of revenue over operating-expenses less claims incurred, including accruals for claims in process, are available for current and future claims and contingencies since it is not possible to assess with certainty the outcome of current claims in litigation and the future claims for homes currently under warranty. As disclosed in Note 4, a guarantee fund was set up to comply with the requirements under the agreement with The Mortgage Insurance Company of Canada ("M.I.C.C.").

As at December 31, 1992, the general fund was in a deficit position of \$15,618,000.

Ontario New Home Warranty Program

Notes to Financial Statements

December 31, 1992

4. Guarantee fund

In accordance with an agreement dated July 1, 1986, M.I.C.C. has guaranteed to provide financial support to Ontario New Home Warranty Program ("O.N.H.W.P.") to meet any shortfall of funds, if any, required to settle claims incurred. Under the provisions of the agreement, O.N.H.W.P. was obliged to set aside a certain amount of enrolment fees received thereafter as a guarantee fund, which shall be used for the purpose of settling claims and incidental costs incurred. O.N.H.W.P. also undertook to invest the guaranteed fund in financial instruments approved by M.I.C.C. In addition, O.N.H.W.P. is required to pay a fee to M.I.C.C. based on the total number of homes at risk and the balance of the guarantee fund referred to above.

In accordance with an agreement with M.I.C.C., the general fund may borrow up to \$15,000,000 from the guarantee fund with interest payable at the Toronto-Dominion Bank prime rate. The loan balance outstanding as at December 31, 1992 was \$11,030,319.

As at December 31, 1992, the guarantee fund is as follows:

	('000s)
Balance, December 31, 1991, as previously stated	\$ 53,552
Prior period adjustment (see Note 7)	(250)
Balance, December 31, 1991 as restated	53,302
Home enrolment fees	\$ 1,814
Interest earned	7,030
Less	
Claims incurred	8,084
Operating expenses	906
	(146)
Balance, December 31, 1992	\$ 53,156

The fund is represented by the following designated assets and liabilities included in the total assets of O.N.H.W.P.

	('000s)
Assets	
Cash and bank balances	\$ 417
Receivable from general fund	11,031
Accrued interest	1,462
Accounts receivable	49
Investments	59,745
	72,704
Liabilities	
Claims in process	\$ 18,988
Accounts payable and accruals	560
	\$ 19,548
	\$ 53,156

5. General fund

Balance, December 31, 1991 as previously stated	\$ (6,980)
Prior period adjustment (see Note 7)	(1,050)
Balance, December 31, 1991, as restated	\$ (8,030)

6. Funds held as security

Funds held as security represent deposits and accrued interest thereon held by O.N.H.W.P. from builders as security primarily for condominium builders, advance payments for claims and other warranty claims. These funds are either paid back to the builder when the program's requirements are met or used to pay claims.

7. Prior period adjustment

In 1988, 1989 and 1990, certain condominium projects were enrolled by the program and registration and enrolment fees were collected at that time. The courts have since directed the program that these projects do not fall under the Ontario New Home Warranties Plan Act. The estimated cost to the program for the payment of these refunds is \$1,300,000, which has been charged to appropriations as a prior period adjustment to the periods 1988, 1989 and 1990.

Ontario New Home Warranty Program

Notes to Financial Statements

December 31, 1992

8. Claims incurred

Claims incurred consist of:

	1992	1991 ('000s)
Claims paid during the year	\$ 15,670	\$ 22,252
Less: Recoveries for claims paid	4,701	7,065
	10,969	15,187
Less:		
Provision for claims in process, January 1	21,873	21,357
	(10,904)	(6,170)
Add:		
Provision for claims in process, December 31	18,988	21,873
Claims incurred for the year	\$ 8,084	\$ 15,703

9. Pension plan

In 1980, O.N.H.W.P. introduced a defined benefit plan for employees with pension benefits based on length of service subsequent to that date and average of best three consecutive years earnings. As at December 31, 1992, the actuarial present value of accrued pension benefits is estimated to be \$3,518,277 (1991-\$3,188,212) and the value of the pension fund assets is \$3,162,794 (1991-\$3,021,405).

10. Lease commitments

The program is committed under leases for rental of properties and computer equipment to the year 2001 as follows:

	('000s)
1993	\$ 2,034
1994	1,699
1995	1,625
1996	1,625
1997	1,631
Subsequent years	4,844
Total minimum lease payments	\$ 13,458

11. Contingent liability

As part of the normal course of its business, the program is a party to a number of lawsuits the outcome of which is not determinable at this time. In the opinion of counsel, these lawsuits should not result in significant losses to O.N.H.W.P.

12. Statement of changes in financial position

A statement of changes in financial position has not been presented as it would not provide any additional meaningful information.

13. Prior year's figures

Certain comparative numbers have been reclassified to conform to the 1992 presentation.

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